



EFT EXCHANGE

November 1998

Volume 1 Number 3

Treasury Issues EFT Regulation



The Needs of Recipients Come First

BY DONALD V. HAMMOND
Fiscal Assistant Secretary

Since Congress passed the Debt Collection Improvement Act of 1996, calling on the Department of the Treasury and other Federal agencies to increase enrollment in Direct Deposit, we have developed a fruitful dialogue with a broad community of constituencies about how to best meet the needs of Federal payment recipients. Community-based, consumer, and trade organizations nationwide stepped forward to work with us on crafting a final implementing regulation that accomplishes several important goals:

(1) To ensure that recipients are not disadvantaged by the conversion to electronic funds transfer (EFT) and to reiterate our belief that, while Direct Deposit is the right choice for most people, those for whom it would pose a hardship may continue to receive a check;

(2) To reiterate our commitment to informing recipients about *all* the options available to them;

(3) To assure recipients without an account—as well as those who may feel the account they've chosen for receiving their Federal payments electronically is not appropriate or too expensive—that Electronic Transfer Accounts (ETASM) will be available to them at federally insured financial institutions in the future. At this writing, we are developing the proposed framework for the development of an ETA that we anticipate will be a useful financial product, particularly for those who don't currently have an account at a financial institution.

I have attended countless meetings with community organizers and bankers alike to discuss the implementa-

CONTINUED on inside panel

On September 25, the Department of the Treasury published its final regulation on the electronic funds transfer (EFT) of Federal payments to recipients, marking the end of a year-long rulemaking process that included public hearings and intensive discussion on how EFT policy should affect millions of recipients of Social Security, Veterans, Railroad Retirement, and Federal salary and retirement payments. The regulation (31 CFR Part 208: Management of Federal Agency Disbursements) implements the EFT provision of the Debt Collection Improvement Act of 1996, and requires the use of EFT, known as Direct Deposit, for most Federal payments, starting January 2, 1999. Tax refunds are excluded from the law.

Recipients and constituency organizations have been anticipating the release of several important policies, including: the availability of waivers for recipients for whom EFT would pose a hardship; how Treasury plans to proceed with the development of a low-cost account (Electronic Transfer Account, or ETASM) for individual recipients; requirements for accounts to which Federal payments may be sent electronically; and the responsibilities of Federal agencies and recipients under the regulation.

Choice for Individual Recipients Is Fundamental

A fundamental principle guiding Treasury in the development of the regulation was the commitment to recipient choice. "The final rule protects the recipient's right to choose while encouraging the safety and convenience that EFT provides," said Treasury Under Secretary **John D. Hawke, Jr.** Any individual who receives Federal payments will continue to get paper checks if getting Direct Deposit would pose a hardship because of a physical or mental disability, or a geographic, language, or literacy barrier, or if it would impose a financial hardship. Recipients should determine on their own if they are eligible for a hardship waiver.

Recipients who don't have an account at a financial institution are *automatically* waived—meaning they need not take any action—until the ETA is available, sometime in 1999. At that point, they can decide whether the ETA is right for them.

Recognizing that there may be times when it is not appropriate for an agency to make a payment electronically, the regulation provides several waiver categories for Federal agencies. Agencies will not be required to make payments via EFT in the event of a military deployment or threats to national security, one-time payments, or in certain other circumstances where EFT is impractical.

CONTINUED on inside panel



Treasury Under Secretary John D. Hawke, Jr. at an August forum on the final EFT regulation.

REGULATION, from front panel

About the ETA

The 1996 law calls for Treasury to ensure that recipients have access to an account at a reasonable cost and with consumer protections comparable to other accounts at the same institution. The ETA will provide such access and will be available to all individual recipients of wage, salary, benefit, or retirement payments, regardless of whether they already have an account with a financial institution. Any federally insured financial institution will be able to offer the ETA, once the account features have been determined. The 208 regulation *does not* describe the proposed account in detail; Treasury's notice outlining the proposed account features is now posted on the Financial Management Service (FMS) Web site.

Who Can Receive an EFT Payment

Under the final EFT regulation, payments must be deposited into an account at a financial institution to an account in the name of the individual Federal payment recipient. Exceptions are made where an authorized payment agent has been named to act on behalf of the recipient, or where payment is to be deposited into an investment account established through a registered securities broker or dealer or registered investment company. Recipients or their representatives with questions about these arrangements should contact the paying agency, as rules may differ among agencies, and rules for EFT may be different from those for check payments.

Meeting Recipients' Information Needs

Federal agencies are also required to notify all check

recipients and newly eligible recipients of all their options—both before and after the ETA becomes available. This will help ensure that recipients who may have gotten inaccurate information from other sources are properly informed by their paying agencies about what options are available to them.

The Social Security Administration (SSA) has already said that recipients of Social Security and Supplemental Security Income benefits don't need to do anything if they need to keep receiving a check for one of the reasons described above. That means SSA beneficiaries need not call or write SSA to request a waiver. This policy is mentioned in the soon-to-be-available updated pamphlet, *New Choices for Receiving Your Federal Government Payments*.

Finally, Treasury has emphasized that **no payments to individual recipients will be withheld or delayed as a result of implementation of EFT**. While Treasury—and the other paying agencies—strongly encourage recipients to consider the benefits of Direct Deposit and believe it is the best choice for most recipients, recipients can rest assured that their payments and benefits will continue regardless of whether they sign up for Direct Deposit. Working closely with consumer and community organizations, Treasury will continue its effort to educate recipients on all of their payment options [see articles on community-based outreach].

Vendors that provide goods or services to the Government are also impacted by the new regulation. All vendors will be required to receive their payments electronically. Individual vendors may rely on one of the hardship waivers described earlier, but waivers will not be available to corporations or partnerships unless invoked by the paying agency.

Copies of the final EFT regulation and detailed background information are posted on FMS' Web site (www.fms.treas.gov/eft). Questions on the rule itself can be directed to Diana Shevlin at (202) 874-7032; Donna Wilson, 874-6799; Martha Thomas-Mitchell, 874-6757; or Sally Phillips, 874-6749.

HAMMOND, from front panel

tion of this program. There is clear agreement that switching to Direct Deposit can bring more security and convenience to those who choose to use it. But there is also a consensus that giving recipients more options for electronic payment, and taking the concerns of those for whom it would pose a burden to heart, will provide the best possible environment for implementation as we move forward.

In the meantime, Direct Deposit enrollment has increased, and we are teaming with community-based organizations around the country to develop real and meaningful financial education programs to give recipients access to the information they need to make informed choices about how they may get their payments. I am proud of these efforts, and I appreciate your continued support as we implement EFT 99.

DIRECT DEPOSIT
Simple. Safe. Secure.

Public Education

EFT Message on Choice Resonates in National Campaign

The Financial Management Service and Department of the Treasury launched the EFT 99 public education campaign in five regions across the country in early June. Throughout July, August, and September, regional and statewide meetings were held with community-based, consumer, and financial trade organizations to introduce EFT 99 payment options and encourage organizations to become engaged in community education initiatives.

From these beginnings, several initiatives have emerged that serve as models for community outreach, among them:

■ **Texas Legal Services Center** has joined with the Texas affiliate of the **American Medical Association** in programs to reach seniors. Texas has been conducting a pilot project for changes in Medicare. Including presentations about EFT choices in these well-attended programs has brought the EFT message to thousands of Texas seniors.

■ Working with the campaign across the Northeast, **Association of Community Organizations for Reform Now (ACORN)** has reached more than 3,000 individuals in the Philadelphia area alone with the message through existing community and membership meetings.

■ The **National Association of Community Action Agencies (NACAA)** invited the Department of the Treasury to make presentations about EFT 99 choices at two key training programs across the country, reaching more than 1,000 community agency leaders. NACAA followed up by inviting Treasury to exhibit materials and answer questions at its national convention in early September.

■ State agencies that work with seniors in **Michigan** and **Ohio** invited Treasury to address meetings of each county agency on aging. These forums engaged organizations that reach nearly every senior in the two States. Many other Area Agencies on Aging are also key partners.

These innovative programs across the country are generated through the campaign's regional outreach program. To become involved in the programs, or to share a success story, please contact the campaign's regional managers. Their names are listed on the following panel.



Community-based organizations regional meeting in Oakland.

Several regional initiatives have emerged that serve as models for community outreach.

Look for details now about the proposed ETASM! Information on a Federal Register notice seeking public comment on the features of the new ETA is available on the Financial Management Service Web site (www.fms.treas.gov/eft) or by contacting Treasury/FMS (202-874-6590). Contact names and numbers are printed elsewhere in this newsletter.

Public Education

Community-Based Outreach Is Key

Community-based outreach is a key element of the EFT 99 public education campaign. The Department of the Treasury and its partners in this effort are asking check recipients to consider changing how they interact with financial institutions and how they receive their payments. This is a decision that no one takes lightly. It is only through local community-based programs that the best information can be provided—and answers given to all the questions—for check recipients to consider change.

The other elements of the campaign set the stage for community outreach by raising awareness. Check recipients, community leaders, family members, and others who might be involved in the decision are being informed of recipients' choices through:

- Television public service announcements (PSAs);
- Radio PSAs;
- Newspaper and magazine PSAs;
- News articles;
- Special events;
- Posters, brochures, and other materials;
- Billboard PSAs;
- Bus and subway PSAs; and
- Check stuffers.

Each of these serves as a reminder—and reinforcer—of the information check recipients obtain at a community meeting.

Every community across the country is different. Treasury has structured the EFT 99 Program to reflect and capture these differences. Community programs that work in the urban Northeast may not work as well in the States of the Midwest, and, in turn, programs in the Midwest may not appeal along the West Coast.

Treasury has created five regions for the campaign and staffed each region with campaign managers and a community-based or consumer organization. The team—including regional Treasury staff—creates and implements programs that fit the needs of their region.

The regional teams are:

Northeast:

Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, West Virginia, District of Columbia

Regional Manager: Wilfredo Seda (215) 516-8026
Susan Burrows (215) 516-8032

Subcontractor: ACORN
Steve Leshinski (215) 765-0049

Southeast:

North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky

Regional Managers: Lois Stifel (205) 912-6110

Sandy Richards (954) 979-2274

Subcontractor: National Community Reinvestment Coalition

Lisa Fraser (202) 628-8866

Midwest:

Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota

Regional Managers: Bobbie Harper (312) 353-2344

Terri Long (312) 353-2348

Subcontractor: National Community Reinvestment Coalition

Benito Diaz (202) 628-8866

Southwest:

Arkansas, Louisiana, Texas, Missouri, Kansas, Iowa, Nebraska, Oklahoma, New Mexico

Regional Manager: Dora Hernandez (512) 342-7310

Subcontractor: Texas Legal Services Center

Randy Chapman (512) 477-6000

West:

Arizona, California, Nevada, Utah, Colorado, Wyoming, South Dakota, North Dakota, Montana, Idaho, Washington, Oregon, Hawaii, Alaska

Regional Manager: Mikael Wagner (415) 744-7967

Subcontractor: Consumer Action

Cher McIntyre (213) 624-4631

Do not hesitate to contact any campaign manager to become involved in the EFT 99 outreach program.



Attendees at the New York community-based organizations regional meeting informally exchange ideas.

Public Education Materials Order Form—Use this form to order any of the Direct Deposit educational materials listed below.
Quantities are limited.

Name / Organization: _____ Date: _____

Street Address (Sorry, No P.O. Boxes, Please): _____

City: _____ State: _____ ZIP: _____

Phone: _____ Fax: _____ E-mail Address: _____

Please fax this form to the Financial Management Service, Attn: Product Promotion Division. **Fax: (202) 874-7321**

No.	Item/Description	English Quantity	Spanish Quantity	Other Language Quantity*
1.	Poster: "Better Things To Do" 16 x 20 inches (full color).	_____	_____	_____
2.	Pamphlet: <i>New Choices for Receiving Your Federal Government Payments</i> 3 7/8 x 8 1/4 inches folded (two color).	_____	_____	_____
3.	Counter Card Pamphlet Holder (with pocket): "Better Things To Do" For use with the <i>New Choices for Receiving Your Federal Government Payments</i> pamphlet. 15 1/2 x 9 3/4 inches (full color).	_____	_____	_____
4.	Comprehensive Guide for Community Educators "Helping People in Your Community Understand Basic Financial Services." <i>Includes consumer factsheets.</i>	_____	_____	_____

Please allow 2-3 weeks for receipt of materials. **Questions? Contact the Financial Management Service at (202) 874-6540.**

* If other languages are requested, indicate desired languages and quantities. This information will determine the need for additional language materials.

First National Direct Deposit Week a Success

Throughout October and early November 1998, the Department of the Treasury, together with financial institutions, community groups and consumer organizations, Federal Reserve banks, the National Automated Clearing House Association (NACHA), and other Federal agencies, sponsored a range of events and activities. These events were designed to educate consumers about the benefits of Direct Deposit, provide Government payment recipients with accurate information about how Federal electronic payment regulations will affect them, and discuss a range of existing and planned low-cost accounts available in the marketplace.

Kick-off events in the first few days of October focused on in-lobby activities at financial institutions to promote Direct Deposit usage among the many account holders and non-account holders who routinely cash their checks at financial institutions. In addition to materials developed by the Social Security Administration (SSA) and NACHA, Treasury provided more than 2,600 kits, including information about a new law affecting Federal payments, to financial institutions nationwide.

The first annual National Direct Deposit Week, October 12-16, cosponsored by the Federal Reserve, NACHA, and Treasury, included many more activities designed to educate the public about Direct Deposit. Treasury focused its efforts on model seminars in 14 cities across the country. These seminars varied in format, but included information about Federal recipients' payment options, low-cost accounts (including the Electronic Transfer Account, or ETASM, to be

offered sometime next year), and basic financial education tips. Attending organizations were encouraged to continue and expand on their efforts to reach their constituents by forming partnerships, conducting in-touch sessions, and distributing materials.

In Baton Rouge, for example, the Florida Boulevard Aging Center hosted the American Association of Retired Persons (AARP), Advocacy Center of Louisiana, and East Baton Rouge Council on Aging for a financial information fair. Five financial institutions attended to offer insight into the benefits of Direct Deposit and discuss their low-cost accounts. Social Security and Office of Personnel Management staffs were on hand to answer questions. And in Miami, AARP, the Alliance on Aging, and Legal Aid Services of Miami helped host a session attended by more than 80 seniors from four local senior centers. These events helped bring community and private and public sector resources together to arm constituents with credible, accurate information to make the best possible financial decisions. Other "National Direct Deposit Sign-Up Day" events took place in Birmingham, AL; Meridian, MS; San Antonio; Boston; New York City; Philadelphia; Cincinnati; St. Louis; Berkeley, CA; Tacoma, WA; and Chicago.

Treasury's Customer Assistance Staffs (CAS), EFT 99 regional managers, and community-based partners will continue to build on the momentum created during National Direct Deposit Week and Sign-Up Day activities across the country throughout 1999.

Whom to call

If you have questions about community initiatives or any other issues relating to EFT 99, please feel free to contact the Financial Management Service and Treasury staff below:

PRESS/MEDIA

(Questions from Press/Media only)

John Longbrake

Office of Public Affairs

Department of the Treasury

Phone: (202) 622-2960

Alvina McHale

Legislative & Public Affairs

Financial Management Service

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REGULATIONS & POLICY

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(Public/financial institution/agency education)

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If you would like to be on the *EFT Exchange* mailing list, or to receive *EFT Exchange* by e-mail, call Sara Allinder on (202) 842-3600.

EFT Policy, Educational Materials Abound at Web Site

www.fms.treas.gov/efit

The EFT 99 page of the Financial Management Service's Web site includes text and PDF versions of this newsletter and other published material about EFT 99. You can also find links to Direct Deposit pamphlets and updated charts comparing EFT versus check payments.

Since the last edition of *EFT Exchange*, a wealth of information has been added to the Web site, coinciding with release of the final EFT regulation. View the entire rule (31 CFR 208: Management of Federal Agency Disbursements) as well as EFT factsheets and answers to a list of commonly asked questions. Also access the newly issued consumer pamphlet, *New Choices for Receiving Your Federal Government Payments*, which is being distributed nationwide, and factsheets from "Helping People in Your Community Understand Basic Financial Services," a guide for community educators targeted to individuals without accounts at financial institutions and those needing basic information on how to use accounts. The full guide will be posted soon.

Remember, the EFT Web site is *your* source for the latest information. Visit it often!

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